

Press release

Financial statements from Arbejdernes Landsbank:

Copenhagen, 20 February 2013

Record results from Arbejdernes Landsbank

With a return on equity of 16.6% and a profit before tax of DKK 560 mill., Arbejdernes Landsbank has achieved the best results ever in the Bank's 93-year history. This historic result has been achieved through continued strong growth in core earnings, a huge customer influx to the Bank's 66 branches, as well as an impressive return on the Bank's portfolio of securities. The Bank, which Danes chose as their preferred bank for the fourth consecutive year, will continue its sustainable growth by opening more branches, ensuring a unique service concept for private customers, and by increasing focus on corporate customers.

The best result ever. That sums up the Bank's financial statements for 2012 with a DKK 560 mill. profit before tax. Arbejdernes Landsbank is thus continuing the strong developments of recent years. This historic profit was achieved through substantial increases in core earnings of 5.6%, as well as an excellent return on the securities portfolio.

"Naturally, we're very pleased with the impressive results for 2012, which represent the high point so far for the strong development of the Bank in recent years. This development is built on our clear desire to offer Danes responsible and attentive banking advice concentrating on the individual customer. Therefore, we're also extremely pleased with the high customer influx, and that for the fourth consecutive year, Danes have chosen the Bank as their preferred bank. We owe a huge debt of gratitude to all our employees," said Chief Executive at Arbejdernes Landsbank, Gert R. Jonassen, and he continued:

"The strong financial statements in no way allow us to rest on our laurels - on the contrary. We have a clear goal to increase the scope of our business, among other things, by expanding our branch network. We believe that the right strategy is to be visible and attentive at local level, while also offering the most modern solutions within internet and mobile banking services. Consequently, in the years to come, we'll be making more investments in developing new, digital solutions combined with personal advisory services".

Even though Arbejdernes Landsbank did not raise its lending rates in 2012, and despite continuously high write-downs in the wake of the financial crisis, the Bank has still succeeded in achieving a high return on equity of a very satisfactory 16.6% before tax. Arbejdernes Landsbank is thus in a position to continue its expansion, both through regular influx of new customers and through possible acquisitions, which can support the Bank's long-term strategy.

Ambitious expectations for 2013

"We continue to have ambitious expectations for 2013 and we are budgeting with a total profit before tax for the whole year of between DKK 325-350 mill. We expect to achieve this through continued progress in core operations and a positive return on our securities portfolio. Though this is unlikely to be at the same level as in 2012. We also expect 2013 to be characterised by less write-downs of around 1%," said Gert R. Jonassen.

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Facts about the Arbejdernes Landsbank 2012 financial statements (Group)

Results

- The Arbejdernes Landsbank Group achieved a profit after tax of DKK 456.6 mill. compared with a profit after tax for 2011 of DKK 38.1 mill.
- Expectations for 2012 were more than realised, and not even an upward adjustment in the second half-year was optimistic enough. The cause is in the investment portfolio earnings, which have developed more positively than anticipated.

Equity

- Return on equity before tax for 2012 was 16.6%, compared with 0.1 in 2011.
- Return on equity after tax for 2012 was 13.5%, compared with 1.2% in 2011.

Core earnings

- Core earnings increased by DKK 83.3 mill. to DKK 1,576.6 mill., corresponding to 5.6 %.
- Net interest income showed an increase of DKK 49.4 mill. to DKK 1,125.5 mill. against DKK 1,076.1 mill. in 2011. The positive trend is due to customer growth and new business with stable interest-rate differentials.
- Net fees and commission income increased by DKK 25.5 mill. to DKK 355.3 mill. corresponding to an increase of 7.7%. The increase was achieved at many levels through more activity.
- Trading earnings rose by 9.4% to DKK 95.7 mill., attributable to an increasing propensity to invest.

Staff costs

- Staff costs saw an increase of DKK 41.9 mill., corresponding to 6.6%. The average number of employees in terms of full-time employees increased in 2012 by 8 to 1,061 employees. In 2012, the Bank employed 11 financial students and 2 financial economists. In 2013, we will employ 10 new financial students and 6 financial economists.

Write-downs on loans etc.

- Write-downs on loans etc. showed an indication of impairment of DKK 277.2 mill., compared with DKK 209.9 mill. in 2011. This is higher than expected. The write-down ratio was 1.3%, which is 0.2 percentage points higher than in the previous year.

Investment portfolio earnings, excl. investment securities

- Investment portfolio earnings, excl. investment securities amounted to DKK 378.9 mill., compared with a loss of DKK 195.3 mill. in 2011.

Investment securities

- Investment securities showed a profit of DKK 84.0 mill. against DKK 87.9 mill. for 2011. The result is primarily attributable to the return from ALKA Forsikring and LR Realkredit, which contributed with a return of DKK 139.8 mill. against DKK 102.2 mill. in the previous year.

Contributions to sector solutions

- Contributions to sector solutions are the costs paid by the Bank in connection with takeovers of banks in distress by the Financial Stability Company. Costs fell to DKK 26.0 mill. against DKK 34.8 mill. in 2011.

Tax

- The tax charge amounted to DKK 103.3 mill. against tax income of DKK 33.6 mill. in 2011.

Solvency

- Group solvency was 14.6% in 2012 against 13.5% in 2011. The solvency ratio is considerably above the Group's solvency need of 9.1%.

Capital

- The Group capital base amounted to DKK 3,666.3 mill. at the end of 2012, of which core capital accounted for DKK 3,401.7 mill.

Dividends

- A proposal has been submitted to the General Meeting for a dividend of 35%, corresponding to DKK 105 mill.

Outlook for 2013

- The Group expects the interest-rate differential to remain unchanged or to increase slightly in the second half-year. Core earnings are also expected to be impacted positively by increasing activity from customer growth.
- The Group will continue its constant focus on tight cost management.
- The expected indication of impairment is around 0.8% of total lending and guarantees.
- The Bank expects positive investment portfolio earnings, though slightly lower than in 2012. The Bank's funding with a state guarantee will expire in 2013, resulting in a lower securities portfolio.
- Profit before tax is expected to be around DKK 325-350 mill.